

Elevating Finance

Episode 1

July 28, 2022

Webcast summary

Finance functions are increasingly challenged to evolve from back-office support to becoming strategic advisers that are uniquely positioned to lead enterprise performance. The webcast provided insights from recent KPMG global surveys and highlighted critical enablers that are enabling finance leaders to turn disruption into a competitive advantage.

The panelists addressed the following topics:



Disruption is the new norm

The KPMG CEO outlook survey gauges how leadership strategies and concerns have shifted during uncertain times. Ninety percent of CEOs were confident in the growth prospects and hiring going into 2022; however, that optimism has faded as the year progressed. Among the survey's findings, executives across the globe agree on the following critical macrofactors of disruption:

- **Shifting macroeconomic environment:** Many executives are predicting a recession due to inflation, rising costs and their impact on commodity prices, and geopolitical instability resulting in supply chain pressures.
- **Strong appetite for mergers and acquisitions (M&A):** Despite economic headwinds, executives are prioritizing deals that deliver a competitive advantage with respect to access to new products and markets to drive organic growth, expansion of supply chain capabilities, and acceleration of digital transformation.
- **Increased focus on environment, social, and governance (ESG) transparency:** Eighty percent of CEOs are focusing on societal impact outside the business, with the majority of executives acknowledging increased stakeholder demands for ESG transparency.

- **Pursuit of digital agility and workplace transformation:** Most CEOs are shifting investments out of legacy businesses and into digital opportunities to attain first-mover or fast-follower status. Fifty percent of CEOs are investing in shared office spaces for increased flexibility, with a sharpened focus on hiring remote talent.

Agility and continuous ability to transform and evolve are no longer optional. They are foundational to an organization’s survival in today’s constantly evolving business environment. Leading organizations are quick to pivot based on what’s happening, turning disruptions into opportunities as opposed to companies with legacy systems, which have difficulty adapting to change. From an employment standpoint, the “great resignation” is still in full swing and with the advent of Gen Z into the workforce, maintaining a balance between the expectations of different generations has become crucial. Innovation in business models is the need of the hour.

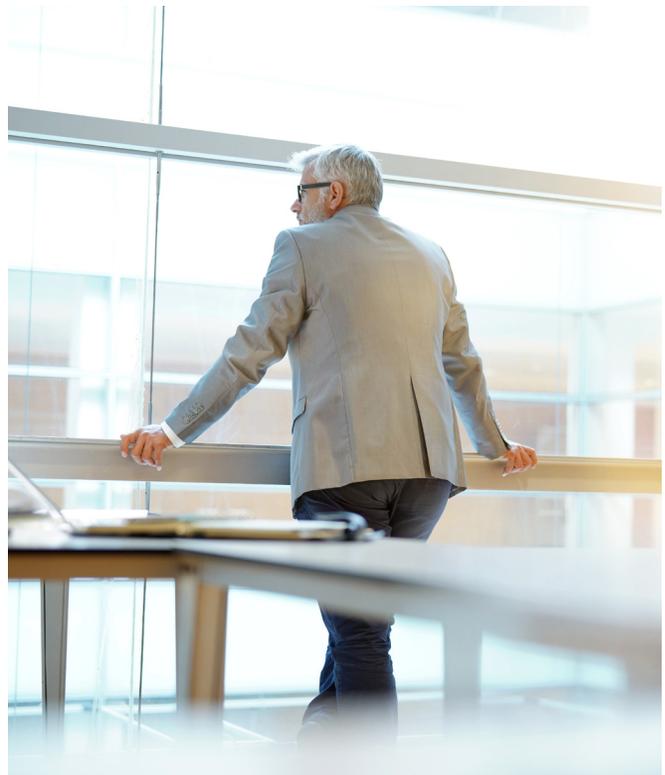


The finance landscape is rapidly changing

Navigating market complexities requires Finance to address disruption head-on or risk being left behind by nimbler competitors. To stay competitive, businesses are looking to transform the finance function by prioritizing investments in technology, data, and people to unlock new capabilities. The following modern digital enablers can harness the power of information technology (IT) to improve performance and drive productivity:

- **Environment:** Enterprise performance management (EPM) and enterprise resource planning (ERP) are enabling integrated, real-time data and end-to-end global processes. Multicloud platforms are empowering Finance to deliver more value with less effort, respond quickly to the needs of the business, and truly shift from traditional processing to strategic partnering.
- **Information:** Organizations are focused on building capabilities that streamline the collection of enterprise-wide information—both internal and external—normalizing the data and then integrating it into the ecosystem to discover actionable insights.

- **Automation:** The winners in finance are reimagining their operating model and developing a long-term strategy for extreme digitization, which is the seamless integration of the digital ecosystem to enable speed, quality, and optimal human experience. We’re seeing increasing adoption of intelligent workflow to facilitate approvals as well as process mining to detect real-time exceptions and control failures.
- **Interaction:** Having a harmonized human-centered experience on how to leverage and use these technologies—chatbots and APIs—is crucial. Machine learning and artificial intelligence (AI) are being integrated with different data sets to extract various types of insights, which is being leveraged by the finance community to build predictive and prescriptive capabilities for future growth.
- **Intelligence:** Usage of dashboards and tailoring them into meaningful insight that’s consumable to the business is becoming increasingly important. As organizations continue to automate transactional work, they need to rethink their talent management strategies—one that’s able to elevate not just the digital fluency within the teams, but also data literacy in order to leverage these tools to have more impactful communication.



What leading organizations are doing?

While leaders have already migrated to cloud, there's an acceleration occurring across industries to migrate from their legacy on-prem platforms to the cloud in the next 12–24 months. SaaS solutions are intended to enable continuous enhancements and improvements of your business processes versus having to go through large-scale ERP upgrades every five-plus years. The KPMG Elevating Finance survey highlighted the following key facts about the top performers in this space:

- Leaders are spending two to three times more time on analytics and business partnering to enable more informed and faster decisions that maximize company improvement as well as shareholder value. More than 80 percent of these organizations are leveraging external data to their competitive advantage by integrating it into strategic planning, forecasting, and scenario planning to gain data-driven insights that would have been impossible several years ago.
- Forward-looking finance organizations have the ability to make faster, more informed decisions. Leaders bank on dynamic scenario modeling while playing with different drivers and macroeconomic data to gain more visibility and deliver better decisions that positively impact the business performance, enabling them five times faster planning and continuous financial close cycles. For example, having technology in place to automate high-volume transactions such as reconciliation, journal entries, billing, collections, and invoice processing. This smooths the entire close cycle and helps alleviate some of the pressure at month-end. Nearly 75 percent of organizations undergoing continuous transformation have specialized Center of Excellence (CoEs) to enhance organizational agility.
- Leaders are focused on increasing the digital fluency of their teams while also empowering them to elevate their responsibilities as the shift continues from highly transactional to more decision support. Eighty percent of leaders have ESG metrics as a part of their enterprise reporting and data strategy, treating them with the same rigor and control to enable trust among customers and stakeholders.



The CFO agenda for “Elevating Finance”

Leading CFOs have an agenda that turns disruption into opportunity. They leverage technology to enable an agile, modern workforce that utilizes data and analytics to deliver more intelligent business insights. Here are the five key pillars to a dynamic finance function that can help turn risk into opportunity:

• Strategy and innovation

- Finance plays a major role in unlocking the value of data—being the custodian of enterprise-wide financial and nonfinancial data, capturing the needs and usage of external data sources, and harnessing data mining and advanced analytics capabilities to provide actionable insights to the business that ultimately drives strategy and innovation.
- Leaders are investing up to \$100 million in growth opportunities as part of their strategy. Leveraging the capabilities of the finance team to preserve and create value through agile, effective allocation of capital and resources can help enable strategic priorities and a culture of innovation. Finance can help deliver sustainable, profitable growth by creating enterprise value; integrating strategic imperatives, plans, and KPIs; and turning insights into actions and mitigating enterprise risks.

• Digital acceleration

- Digital technology is one of the key enablers binding all the transformations across an organization. Increased digitalization and new technologies can result in better experiences and outcomes for not only consumers but also employees.
- Technology alone is not enough. Digital investments must be business led and technology enabled at the core. Companies need to focus on future-ready digital solutions without losing the human touch. For example, if you are a highly acquisitive organization, digital acceleration could mean quickly assimilating and integrating other organizations within to enable cost savings.

- Leaders in this space also focus on building a corporate culture that is ready and capable of embracing fundamental changes. This includes how companies operate, understanding the impact automation has on the workforce, and the change management capabilities to address it.
- **Data intelligence**
 - Finance is uniquely positioned to be the value multiplier and integrator across the enterprise. With digital acceleration and the integration of technologies across the ecosystem, it becomes crucial to consider the governance across the data within an organization. By integrating external signals with internal data, businesses can leverage advanced analytics and AI to enable better decision power and generate intelligent forecasts that can help unlock new opportunities.
 - Seventy percent of leaders are increasing their spending on data-related activities in 2022, wherein they are focusing on establishing their underlying data framework. The key elements of a data framework include: creating an enterprise-wide data strategy that helps deliver desired business objectives; ingesting and normalizing data from across the organization and external data sources to generate tailored persona-based consumption integrating enterprise value levers with financials; ability to trigger actionable insights, allowing leaders to act quickly and take preemptive measures rather than waiting to respond; and establishing a governance layer through a global data model that puts controls in place and detects built-in biases in data sets, ultimately monetizing your data and accelerating speed of decisions.
- **Organizational agility**
 - With digital innovation, the distribution of work is also changing. By embracing disruptors like emerging technologies, finance functions can now reduce time spent on transactional processing and reporting and expand their scope to additional value-added services such as business partnering and strategic advising.
- Leading finance organizations are expanding their usage of dedicated, specialized CoEs to enhance digital agility and adoption of digital tools to accelerate the pace of change. Ninety-five percent of the top performers have dedicated transformation teams, and 66 percent have dedicated teams for data and analytics.
- To truly unlock the value of digital solutions, it's critical to think about an integrated ecosystem supporting end-to-end processes. This is where CoEs can play a key role by leveraging technology to effectively manage and execute the end-to-end processes and building connections with stakeholders, not just within finance but across the enterprise.
- **Modern workforce**
 - Evolving requirements and ways of working are accelerating the need for new skills, competencies, and roles in Finance. As leading organizations move toward Finance providing more specialized services—such as digital CoEs—to the enterprise, about 82 percent are actively seeking candidates with data science and computer backgrounds rather than finance and accounting.
 - Embracing new ways of working and reimagining talent strategies by leveraging strategic partners can help provide an exceptional employee value proposition and promote digital fluency. Companies are making a concerted effort to attract, retain, and develop their existing talent. Sixty-two percent of leaders have a robust talent strategy offering rotations, leadership development programs, and L&D opportunities.
 - With redistribution of work, there's also a heightened need for Finance to serve as a strategic adviser, expanding the scope of existing roles and responsibilities. Fifty percent of leading organizations are offering digital fluency programs to elevate their workforce. Finance functions must assess the expectations of their employees and the effects of emerging technology, thereby realigning workforce and business strategies.

- **Dynamic risk management**

- As organizations make strides in digital advancements, it continues to stress the importance of securing the digital environment and these digital investments. For example, while migration to the cloud creates opportunities, it also exposes companies to new risks. Ninety-one percent of the top performers agree a strong cyber security strategy is critical to ensuring stakeholder trust.
- Risk management must support, not hinder, innovation by leveraging advanced capabilities while maintaining compliance to the ever-changing regulatory environment and protecting the trust of different stakeholders.
- Data can play a critical role in creating a culture that turns cyber risks into opportunities by offering access to more real-time insights not only into market indicators but also into risk factors and signals internally. Using continuous monitoring and anomaly detection capabilities can allow businesses to proactively flag vulnerabilities and mitigate risks.



Roadmap to a future-ready finance organization

- The following enablers are critical for successful transformation programs:
 - **Holistic, business-led, and process-centric approach:** developing a strategic but agile operating model that promotes collaboration and blurs the distinction between Finance and other business functions.
 - **North star and KPI targets:** setting realistic targets and breaking down these targets further by the different process areas.
 - **Visible top-down sponsorship and accountability:** establishing accountability and ownership of targets within the transformation program.
 - **Dedicated transformation teams including change management:** mobilizing dedicated teams with diverse skill sets and prioritizing areas of highest impact. And since any transformation is hard, it's important to identify quick wins and celebrate them within teams.



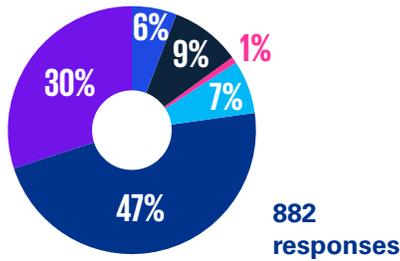
- Five areas to consider that can truly help elevate the role of finance:
 - Envisioning how finance is more accretive to the enterprise strategy and plays a key role as the value integrator and multiplier within your organization.
 - Aligning your digital strategy to enable the enterprise business strategy and objectives.
 - Evaluating whether the KPIs are aligned to the business strategy and cascaded through the organization.
 - Identifying the skills and capabilities required and ways to close talent gaps, either through the attraction of new talent or development of your existing talent.
 - Committing to the value case for transformation by creating the vision and the roadmap to achieve what you want to do.



Closing comments

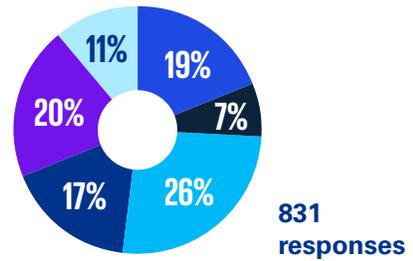
- CEOs are looking to the finance function to take on a considerably broader and deeper set of strategic responsibilities than ever before. The business stakeholders are increasingly expecting Finance to serve as a true business partner, not a back-office department focused on transactional processing and historical reporting, providing predictive and prescriptive insights to drive business performance and real-time decision-making.
- Leading finance organizations have developed an agenda to deal with disruption that allows finance leaders to “copilot” with CEOs as they navigate through change by leveraging their commercial and financial acumen combined with their understanding of performance insights and business analytics.

Which of the following technology solutions are leveraged by your organization today? (select all that apply)



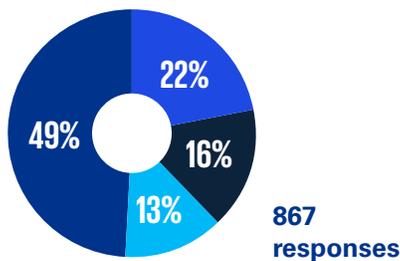
- Financial governance solutions (e.g., Blackline, Trintech, ARCS, etc.)
- Integrated business planning solution
- Process mining (e.g., UI Path, Celonis)
- Robotic process automation
- Single, cloud-based instance ERP platform
- Visualization and dashboards

Select the most desirable skills and competencies for workers and leaders in your organization.



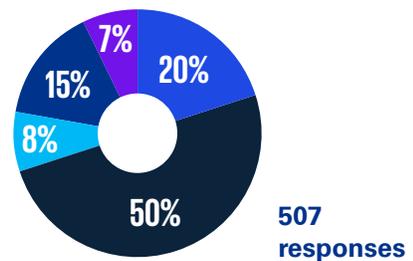
- Analytical, data oriented
- Digital fluency
- Finance and accounting knowledge
- Industry and business knowledge
- Relationship management, impactful communication/storytelling, and ability to influence
- Strategic thinking

Which statement most closely aligns with Finance’s role in your company’s innovation?



- Innovation leader: Drives identification and prioritization of new opportunities
- Minimal involvement: Brought in after key decisions are made
- Not involved in business innovation
- Supports innovation: Seat at the table for key decisions from ideation through execution

What were/are your top desired business outcomes from your finance transformation?



- Improve quality/accuracy
- Increase efficiency and improve cycle times
- Reduce churn and improve employee experience
- Reduce cost of finance
- Strengthen control environment

Note: Percentages may not total 100 percent due to rounding.

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